

PONTIAC HOUSING COMMISSION

Financial Statements

March 31, 2005

Audited by

Larry D. Jones

Certified Public Accountant

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name PONTIAC HOUSING COMMISSION	County OAKLAND
Fiscal Year End MARCH 31, 2005	Opinion Date DECEMBER 31, 2005	Date Audit Report Submitted to State 6-21-2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☐ ☒ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Auditing Procedures Report Other (Describe)	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) LARRY D JONES		Telephone Number (248) 333-7414	
Street Address 149 FRANKLIN BLVD		City PONTIAC	State Zip MI 48341
Authorizing CRA Signature Larry D. Jones	Printed Name LARRY D JONES		License Number 1101027884

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LARRY D. JONES
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Independent Accountant's Report

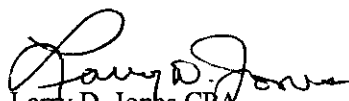
I have examined the accompanying balance sheet of Pontiac Housing Commission as of March 31, 2005, and the related statement of revenue and expenses, fund balance, and cash flows for the year then ended. Pontiac Housing Commission's management is responsible for the financial statements. My responsibility is to express an opinion based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting Pontiac Housing Commission financial statements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion.

In my opinion, except for the effects of not recording land and building at historical cost as discussed in the following paragraph, the financial statements referred to below present fairly, in all material respects, the financial position of Pontiac Housing Commission as of March 31, 2005 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As more fully described in Note 3 to the financial statements, land and building should be recorded at historical cost in the accompanying balance sheet. In my opinion, generally accepted accounting principles required those assets to be recorded at cost on the balance sheet.

In accordance with *Government Auditing Standards*, I am required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to Pontiac Housing Commission financial statements and any fraud and illegal acts that are more than inconsequential that come to my attention during my examination. I am also required to obtain the views of management on the matters. I performed my examination to express an opinion on whether Pontiac Housing Commission financial statements are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over Pontiac Housing Commission financial statements or on compliance and other matters; accordingly, I express no such opinions. My examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management, are described in the attached Schedule of Findings.


Larry D. Jones CRA
December 30, 2005

**Pontiac Housing Commission
Balance Sheet
March 31, 2005**

ASSETS	Totals
Current Asset	
Cash and cash equivalents (note 1)	\$ 2,468,649
Receivables, net (note 2)	953,604
Supplies	18,915
Prepaid expenses and other assets	208,515
Interprogram due from	<u>807,738</u>
Total Current Assets	4,457,421
Land, Building and Equipment (note 3)	
Land	1,753,492
Building and equipment	24,159,353
Less accumulated depreciation	<u>(16,740,493)</u>
TOTAL LAND, BUILDING AND EQUIPMENT	9,172,352
TOTAL ASSETS	<u>13,629,773</u>
 LIABILITIES AND FUND BALANCE	
Current Liabilities	
Accounts payable	391,640
Accrued liabilities	320,345
Intergovernmental payables	320,091
Tenant security deposits	52,485
Interprogram due to	<u>807,738</u>
Total Current Liabilities	1,892,299
 FUND BALANCE	<u>11,737,424</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$13,629,773</u>

**Pontiac Housing Commission
Statement of Revenue and Expenses
For the Year Ended March 31, 2005**

OPERATING REVENUES	Totals
Tenant Revenue	\$ 670,047
Government operating grants	7,495,766
Grants	243,118
Other revenue	<u>114,515</u>
Total operating revenues	8,523,446
 OPERATING EXPENSES	
Administrative	1,642,102
Tenant services	113,959
Utilities	407,430
Maintenance	813,434
Protective services	246,567
General	200,220
Housing assistance payment	4,803,857
Depreciation	<u>513,990</u>
Total operating expenses	<u>8,741,559</u>
Net Loss	218,113
 Fund Balance April 1, 2004	 <u>12,153,886</u>
	11,935,773
Prior Period Adjustment (note 4)	<u>198,299</u>
FUND BALANCE MARCH 31, 2005	<u>\$11,737,474</u>

Pontiac Housing Commission
Statement of Cash Flows
For the Year Ended March 31, 2005

Operating Activities

Net Loss	\$ (218,113)
Adjustments to Reconcile To Cash Provided by Operations:	
Depreciation	513,990
Changes in Current Assets and Current Liabilities	
Increase in receivables	39,718
Increase in supplies	18,915
Increase in prepaid	154,317
Increase in accounts payable	(36,988)
Decrease in accrued expenses	300,950
Decrease in deposit	72

Cash Provided by Operation

772,861

Investing Activities

Land and building improvements	1,624, 134
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Cash Used in Investing Activities

(1,624,134)

Fund Balance Activities

Prior Period Adjustments	198,299
Disposal of Assets	<589,112>
Decrease in Fund Balance	<390,813>

Decrease in Cash

1,242,086

Cash at beginning of year April 1, 2004

3,726,219

Cash at end of year March 31, 2005

\$ 2,468,649

Pontiac Housing Commission
Notes to Financial Statements
March 31, 2005

Summary of Significant Accounting Policies

Reporting Entity-

Pontiac Housing Commission, Pontiac, Michigan, (Commission) was created by ordinance of the city of Pontiac. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following at March 31, 2005:

Low rent program	430 units
Section 8 Vouchers	768 units

Budgetary data-

The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

Depreciation-

Equipment is recorded at cost.

The straight line method of depreciation is used. The estimated useful lives are as follows:

Buildings and Improvements	27.5 years
Equipment	3 – 10 years

Basis of Accounting-

The Commission is an enterprise fund. It uses the accrual basis of accounting similar to private business enterprises.

**Pontiac Housing Commission
Note to Financial Statements
March 31, 2005**

NOTE 1: Cash and Cash Equivalents

General Account	\$1,367,990
Money Market	<u>1,100,659</u>
	<u>\$2,468,649</u>

NOTE 2: Receivables – Recorded at net realizable value

Accounts Receivable – HUD	\$758,133
Accounts Receivable – City of Pontiac	176,906
Accounts Receivable – Other	<u>18,565</u>
	<u>\$953,604</u>

NOTE 3: Land, Building, and Equipment

The following represents the changes for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Buildings	\$ 21,320,772	1,556,310		22,877,082
Furniture and Equipment-Dwellings	314,899	59,261		374,160
Furniture and Equipment-Admin	1,039,163		131,052	908,111
Leasehold Improvements	<u>632,504</u>		<u>632,504</u>	<u>-0-</u>
	23,307,338	1,615,571	763,556	24,159,353
Less Accumulated Depreciation	<u>16,243,419</u>	<u>497,074</u>		<u>16,740,493</u>
	7,063,919	1,118,497	763,556	7,418,860
Land	<u>1,744,929</u>	<u>8,563</u>		<u>1,753,492</u>
	<u>\$ 8,808,848</u>	<u>1,127,060</u>	<u>763,556</u>	<u>9,172,352</u>

The Director of Finance said, “Many of the assets listed above are over thirty years old. HUD regulations require us to keep records for ten years. Staff was unable to provide the necessary records to detail original construction costs plus the many improvements made over the years.”

NOTE 4: Prior Period Adjustments

The previous auditor and Commission’s beginning balances differed.

NOTE 5: Supplemental information about individual programs can be obtained from the Commission.

Pontiac Housing Commission
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C - 3044 Operating Subsidies	<u>\$ 1,363,546</u>
* <u>CFDA 14.872 Capital Fund Project</u>	
C - 3044 Capital Funds Project	<u>\$ 949,534</u>
* <u>CFDA 14.871 Housing Choice Vouchers</u>	
C - 3159V Section 8 Rental Vouchers	<u>\$ 5,182,686</u>
	<u>\$ 7,495,766</u>

Pontiac Housing Commission
Status of Prior Audit Findings
March 31, 2005

The prior audit of the Pontiac Housing Commission for the period ended March 31, 2005 contained findings. The corrective actions of the Commission are as follows:

1. Excess Vacancies – The vacancies have continued because of a limited market. The Commission Leasing and Occupancy Specialist has increased community outreach presentation to reduce vacancy.
2. Travel Policy – in compliance. Travel policies have been updated.
3. Commission Vehicles – in compliance. The Commission is using mileage logs for business and personal use.
4. Unauthorized Payroll Advances – in compliance. The Commission is using the City of Pontiac payroll advance policy.
5. Section 8 Files – in compliance. The Commission trained section 8 staff. All documentation is being recorded in client files. Utility allowance schedule has been updated and all clients have been reimbursed.
6. Director and Employee Loans – in compliance. Repayment program in place. Commission no longer makes loans.
7. Repair Bill – New policies in place. The Commission is in compliance. Commissioner has signed repayment agreement.
8. Credit Cards – New credit card usage policies in place. The Commission is in compliance.
9. Cell Phone – New telephone system in place. The Commission is in compliance.
10. Drug Elimination Grant – The Commission appealed the loss of funding.
11. FICA – problem corrected.
12. Questioned cost \$2,500 for legal fees: The Commission will seek donation to repay the loan.
13. Davis Bacon Act – The Commission is in compliance. Wage interview forms on file.
14. Stolen Equipment – The Commission has added security cameras, changed maintenance, and changed security staff.

Pontiac Housing Commission
Report of Compliance
March 30, 2005

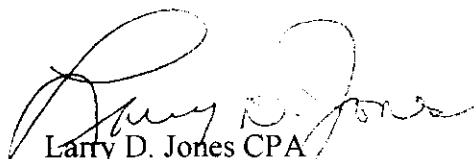
I have audited the financial statements of Pontiac Housing Commission as of and for the year ended March 31, 2005 and have issued my report thereon dated December 30, 2005.

I conducted my audit in accordance with generally accepted audit standards and Government Audit Standards issued by the Comptroller General of the United States. Those standards required that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Pontiac Housing Commission is the responsibility of the Pontiac Housing Commission's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Pontiac Housing Commissions compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests indicate, that with respect to the items tested, Pontiac Housing Commission complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that Pontiac Housing Commission had not complied, in all material respects, with those provisions.

This report is intended for the information of the audit committee, management, and HUD. However, this report is a matter of public record and its distribution is not limited.



Larry D. Jones CPA
December 30, 2005

Pontiac Housing Commission
Report on Internal Control
March 31, 2005

I have audited the financial statements of Pontiac Housing Commission as of and for the year ended March 31, 2005 and have issued my report thereon December 30, 2005.

I conducted my audit in accordance with generally accepted audit standards and Government Auditing Standards, issued by the comptroller General of the United States. Those Standards required that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of Pontiac Housing Commission for the year ended March 31, 2005, I considered its internal control structure in order to determine my audit procedures for the purpose of expressing my opinion of the financial statements and not to provide assurance on the internal control structure.

The management of Pontiac Housing Commission is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability

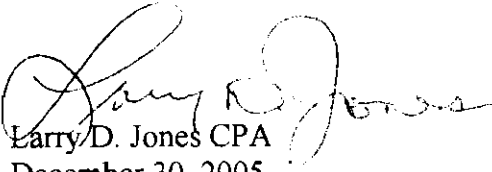
to record, process summarize, and report financial data consistent with the assertions of management in the financial statement.

The schedule of finding on page 12 will provide details on the reportable condition.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management, and HUD. However, this report is a matter of public record and its distribution is not limited.


Larry D. Jones CPA
December 30, 2005

Pontiac Housing Commission
Schedule of Finding
Year Ended March 31, 2005

Finding No. 1

Criteria

The Pontiac Housing Commission should be preparing its own payroll.

Condition

Part of the payroll is prepared by the Pontiac Housing Commission and part by the City of Pontiac.

Cause

The Director and the Finance Director said, "HUD insisted that the Commission's payroll is processed by the city.

Effect

If Pontiac Housing Commission were processing their payroll, the problem of not having a responsible party would be solved because proper payroll controls could be put in place to create an audit trail. Another benefit would be the reduction of checks written between the City of Pontiac and The Housing Commission.

Managements Response

Managements concern is the union contracts and the employee benefit plan. I gave them an example of my experience working at Pontiac General Hospital which was owned by the City of Pontiac. The hospital processed their payroll themselves. City union contracts were honored and the hospital paid into the City of Pontiac's benefit plan.

Recommendations

I recommend that the Pontiac Housing Commission process its payroll for the following reasons:

1. A responsible party would be identified.
2. Proper controls could be established to create an audit trial.
3. Reduce amount of checks written between the Commission and the City of Pontiac.